GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2289
ANSWERED ON:29.07.2016
Fiscal Deficit of Centre and the States
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Will the Minister of FINANCE be pleased to state:

(a) whether fiscal deficit of Union and State/UT Governments of the country is growing uncontrollably;

(b) if so, the details thereof along with the reasons for increasing fiscal deficit;

(c) the present level of overall fiscal deficit in the country;

(d) the steps taken by the Union Government to enforce discipline and bring fiscal deficit to acceptable level; and

(e) whether any State Government has approached to the Union Government to provide package or debt waiver to reduce financial burden, if so, the action taken by the Union Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) to (b) As a proportion of the Gross Domestic Product (GDP) at current market prices, fiscal deficit of the Central Government declined from 4.1 per cent in 2014-15 to 3.9 per cent in 2015-16 (provisional actuals) and is estimated to decline to 3.5 per cent in 2016-17 (Budget Estimates). As per the latest information available from the Reserve Bank of India (RBI), the combined fiscal deficit of all States was 2.9 per cent of the GDP (revised estimates) in 2014-15 and estimated to decline to 2.4 per cent of the GDP in 2015-16 (budget estimates).

(c) The overall fiscal deficit of the Centre and States (combined) was placed at 6.6 per cent of GDP in 2014-15 (latest data available with the RBI) as against 7.1 per cent of GDP in 2013-14.

(d) The Central Government is taking necessary steps to ensure that the fiscal deficit is contained as per the revised fiscal consolidation roadmap indicated in the Medium Term Fiscal Policy Statement 2016-17. The essential components of the fiscal consolidation strategy of the Central Government include: efforts at raising additional revenue for infrastructure creation; and, expenditure rationalization, including initiatives to plug leakages from the public delivery system and a focus on direct benefit transfers. The higher untied devolution of budgetary resources from the Centre to the States under the devolution scheme recommended by the Fourteenth Finance Commission is likely to improve the fiscal position of States.

(e) The requests received from State Governments from time to time to provide package or debt waiver to reduce financial burden are normally dealt within the ambit of the recommendations of Finance Commissions. As per the recommendations of the Twelfth and Thirteenth Finance Commissions, debt waiver/write-off was provided to eligible States. The Fourteenth Finance Commission has not recommended any debt waiver.
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